

Jul 578

## INFORMATION REPORT

COUNTRY China/Hong Kong

DATE DISTR. 12 APR 50

SUBJECT Shortage of Cargo Space in Hong Kong

NO. OF PAGES 1

PLACE ACQUIRED 25X1A

NO. OF ENCLS.  
(LISTED BELOW)

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[REDACTED] goods for shipment to Communist areas were overflowing warehouses and other storage spaces in Hong Kong. In order to prevent further congestion of storage spaces, banks refused to accept letters of credit, compelling importers to pay cash for goods or to guarantee storage spaces for new imports. This action caused a slump in commodity prices but the cost of transportation and incidental charges remained high.

2. Shortage of storage space in Hong Kong has also led to the shipment of goods to the border of Hong Kong for transhipment to Canton via Shenchuan (Shumchun). Goods are left on the British border and transferred to trains arriving from Canton. Storage on the border is also congested because Nationalist air raids have interrupted train and truck traffic to Shenchuan.
3. Hong Kong authorities have been unable to accommodate the increased shipping in the harbor. An enormous smuggling trade accompanies the legitimate transfer of goods, but the Hong Kong revenue office is understaffed and the Chinese Communist administration is too weak to offer any real control.

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 Auth.: HR 70-2  
 Date: 06/25/82